

Remarks by Commissioner Curt Hébert
on
ANR Pipeline Expansion

The Order Issuing Certificate approved today is a segment of the original proposal of ANR's SupplyLink Project and related to the Independence Pipeline Project. This phase certificates two (2) 10,000 hp compressor units to be installed at the Woodstock Compressor Station, McHenry County, Illinois at an approximate cost of \$23.8 million.

While I support the action taken by the Commission, another opportunity arises for me to stress the need for the expansion of infrastructure in the transportation of natural gas. As clearly stated in the FERC *Staff Analysis of Natural Gas Consumption and Pipeline Capacity in New England and the Mid-Atlantic States*, December 1999, "The studies agree that the Northeast gas market will experience significant growth in demand from current levels under all scenarios tested . . . In addition, the studies agree that the electric power generation market will constitute the single fastest growing segment of the Northeast gas market." (Forwarded December 15, 1999 to the U. S. Senate and House of Representatives) This demand for additional pipeline construction in the Northeast¹ is in the near future.

Not only does the above report to Congress support the need for the expansion of our natural gas infrastructure, the Annual Energy Outlook 2000 (AEO 2000) by the Energy Information Administration (December 19, 1999) supports gas pipeline capacity expansion to access new supplies and to serve expanding markets. Further, the AEO 2000 bolsters the goals and benefits of fuel alternatives and stresses the need for the reduction of greenhouse gases by utilizing cleaner burning fuels. With a large percentage of greenhouse gases coming from the generation of electricity, the use of fossil fuel to generate electricity is the overwhelming source of the pollution created by the electric industry. Any attempt to strangle the expansion of the pipeline infrastructure is inconsistent and totally contrary to efforts to foster and enhance the use of a significantly better and environmentally friendly source of generation.

This issue will continue to raise its ugly head repeatedly unless difficult decisions are made to allow the market to decide whether a particular project is ultimately built. In a February 11, 2000 presentation, available on the Internet (www.eia.doe.gov), discussed the low supply of diesel and heating fuel and the resulting surge of prices in the Northeast. The severe weather affected the supply of diesel and heating fuel because "high winds kept barges from landing in New York Harbor and frozen rivers slowed

¹ Notice of Public Conference, Docket No.PL99-2-000 dated April 13, 1999, defined the Northeast as those States lying east of the Mississippi River and north of Tennessee and North Carolina.

crude oil and product flow throughout the Northeast." See U. S. Distillate Market Briefing. I believe it is a lack of sufficient alternatives that cause the Northeast to suffer these extreme conditions in the market for energy to heat homes and businesses. It should be duly noted that the problem of surging prices in heating oil is basically limited to the Northeast. See U. S. Distillate Market Briefing.

This spike in prices resulted in President Clinton announcing the release of approximately \$130 million in Federal aid for qualified homeowners in the Northeast to be able to pay for heat during these difficult times. Further, he proposes to request Congress to provide \$600 million in aid for heating homes in the region. A news release dated February 10, 2000 by Energy Secretary Bill Richardson contains details of this administration's actions to ease the home heating oil crisis. The efforts to be undertaken include the urging to switch from heating oil to natural gas, and the improvement of energy transportation. To such ends, I consider these efforts as consistent with my own, and suggest that the Commission step forward in the same manner.

As food for thought, the cost of this aid (\$730 million) almost equals the total cost of building the ANR SupplyLink project and the Independence Pipeline project (\$803 million). Should this Commission continue to aid in holding captive the consumers of the Northeast and force them to pay excessive prices to heat their homes and businesses, or should this Commission foster and enhance the alternatives available to consumers? We all know the answer. The market should and will use their reasonable business judgment in deciding whether their equity can be used toward a viable project. Government subsidies are not necessary when the market is allowed to plan and prepare in a reasonable fashion and under reasonable terms and conditions.

I commend this Commission for releasing the strangled hold on this phase of the ANR Pipeline Company expansion.